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United States General Accounting Office
Washington, DC 20548**Office of Special Investigations**

October 18, 1999

The Honorable Thomas A. Coburn, M.D.
Vice Chairman
Subcommittee on Health and Environment
Committee on Commerce
House of Representatives

Dear Mr. Coburn:

GAO's Office of Special Investigations briefed you on October 14, 1999. The briefing responded to your April 20, 1999, request that we investigate allegations of abuse and misuse of the Ryan White Comprehensive AIDS Resources Emergency (CARE) Act funds.

We identified three cases—in San Juan, Puerto Rico; Orlando, Florida; and Asheville, North Carolina—in which fraud and abuse have occurred in regard to CARE Act funds. (The details of these cases are provided in the enclosure.) We also briefed officials of the Health Resources and Services Administration, Department of Health and Human Services on October 6, 1999. They concurred with our findings.

If you have any questions, please contact Assistant Director Stephen Iannucci on (202) 512-6722.

Sincerely yours,

Robert H. Hast
Acting Assistant Comptroller General
for Special Investigations

Enclosure

Enclosure

BRIEFING PAPER
Abuse of Federal AIDS Funds

For the Subcommittee on Health and Environment, House Committee on Commerce

♦ **QUESTION**

Have the Ryan White Comprehensive AIDS Resources Emergency (CARE) Act funds been fraudulently misused?

♦ **SUMMARY OF FINDINGS**

We have identified three cases in which fraud and abuse have occurred in regard to the CARE Act funds.

♦ **FINDINGS**

Three Cases of Program Fraud and Abuse

San Juan, Puerto Rico

This case originated in 1994 when Puerto Rico's Comptroller General Office audited the transfer of Ryan White AIDS funds from the city of San Juan to a private corporation identified as the Advanced Community Health Services Inc. Upon completion of the audit in 1996, this case was referred to the Federal Bureau of Investigation (FBI) and the U.S. Attorney's Office. Twelve people were subsequently indicted for conspiracy to commit fraud (18 USC 666). The fraud included a number of different schemes, including money laundering through sham corporations for services that were never provided. Prosecutors believe that the amount of fraud far exceeded the \$2.2 million alleged in the indictment.

Asheville, North Carolina

In 1999, it was alleged that the Western North Carolina AIDS Project misappropriated a Ryan White-funded educational position and overstated reports of individuals receiving educational assistance. While we found that the information contained in the reports of individuals receiving educational contracts was inflated, no funding (federal or other) was involved. Remedial training has been provided to this agency with respect to proper reporting instructions.

Orlando, Florida

On June 9, 1999, the Orlando Police Department arrested a bookkeeper who was employed by Central Florida AIDS Unified Resources, Inc., more commonly known as Centaur, an AIDS awareness support agency. The bookkeeper was arrested for embezzling over \$200,000 in Ryan White and Housing Opportunities For Persons With AIDS funds between December 1997 and February 1999. The local FBI and the Department of Health and Human Services' (HHS) Office of Inspector General have been notified, but there is no indication that this case will be adjudicated at the federal level.

Enclosure

On October 6, 1999, we briefed officials of the HHS Health Resources and Services Administration. They concurred with our findings.

◆ **SCOPE AND METHODOLOGY**

We conducted our investigation from June 1999 to October 1999. In conducting our research, we contacted the FBI and the HHS Office of Inspector General. We reviewed internal documents and official case files for the San Juan, Puerto Rico, case. Also, we interviewed officials in the U.S. Attorney's Office in San Juan and officials in the Orlando, Florida, and Asheville, North Carolina, police departments.

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